

The Auditor-General  
Audit Report No.8 2008–09  
Performance Audit

**National Marine Unit**  
**Australian Customs Service**

Australian National Audit Office

© Commonwealth  
of Australia 2008

ISSN 1036-7632

ISBN 0 642 81038 9

### **COPYRIGHT INFORMATION**

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without prior written permission from the Commonwealth.

Requests and inquiries concerning reproduction and rights should be addressed to the Commonwealth Copyright Administration, Attorney-General's Department, Robert Garran Offices, National Circuit Barton ACT 2600

**<http://www.ag.gov.au/cca>**



Canberra ACT  
11 November 2007

Dear Mr President  
Dear Mr Speaker

The Australian National Audit Office has undertaken a performance audit in the Australian Customs Service in accordance with the authority contained in the *Auditor-General Act 1997*. I present the report of this audit and the accompanying brochure to the Parliament. The report is titled *National Marine Unit*.

Following its tabling in Parliament, the report will be placed on the Australian National Audit Office's Homepage—<http://www.anao.gov.au>.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ian McPhee'.

Ian McPhee  
Auditor-General

The Honourable the President of the Senate  
The Honourable the Speaker of the House of Representatives  
Parliament House  
Canberra ACT

## AUDITING FOR AUSTRALIA

The Auditor-General is head of the Australian National Audit Office. The ANAO assists the Auditor-General to carry out his duties under the *Auditor-General Act 1997* to undertake performance audits and financial statement audits of Commonwealth public sector bodies and to provide independent reports and advice for the Parliament, the Government and the community. The aim is to improve Commonwealth public sector administration and accountability.

For further information contact:  
**The Publications Manager**  
**Australian National Audit Office**  
**GPO Box 707**  
**Canberra ACT 2601**

**Telephone:** (02) 6203 7505  
**Fax:** (02) 6203 7519  
**Email:** [webmaster@anao.gov.au](mailto:webmaster@anao.gov.au)

ANAO audit reports and information about the ANAO are available at our internet address:

<http://www.anao.gov.au>

**Audit Team**  
Celine Roach  
Tom Clarke

# Contents

---

|  |           |
|--|-----------|
| Abbreviations.....   | 6         |
| <b>Summary and Recommendations .....</b>   | <b>9</b>  |
| Summary .....  | 11        |
| Introduction .....   | 11        |
| Follow-up audit objective and scope.....   | 11        |
| Conclusion and key findings .....  | 12        |
| Summary of agency response .....   | 15        |
| <b>Audit Findings and Conclusions .....</b>  | <b>17</b> |
| 1. Background and Context .....  | 19        |
| Overview of the National Marine Unit (NMU).....  | 19        |
| The previous audit.....  | 20        |
| Developments since the previous audit .....  | 21        |
| The follow-up audit.....   | 22        |
| Audit report.....  | 22        |
| 2. Management of Marine Crew.....  | 24        |
| Introduction .....   | 24        |
| Rostering system for marine crew .....   | 24        |
| Analysis and evaluation of staffing data and crew travel .....                                     | 26        |
| Maintenance of marine crew qualifications.....   | 28        |
| Management of training resources and commitments.....  | 31        |
| 3. Asset Management .....  | 34        |
| Introduction .....   | 34        |
| Asset maintenance.....   | 34        |
| Asset management and consideration of future acquisitions .....                                    | 36        |
| Asset monitoring and control .....   | 38        |
| 4. Financial Management.....   | 40        |
| Introduction .....   | 40        |
| Financial control arrangements.....  | 41        |
| Index.....   | 44        |
| Series Titles.....   | 45        |
| Current Better Practice Guides .....   | 46        |
| <b>Tables</b>  |           |
| Table 1           Progress in implementing specific recommendations of the<br>previous audit ..... | 13        |

# Abbreviations

---

|      |                                      |
|------|--------------------------------------|
| ACVs | Australian Customs Vessels           |
| AMPS | Asset Management and Planning System |
| AMSA | Australian Maritime Safety Authority |
| BSG  | Business Support Group               |
| CBI  | Corporate Business Intelligence      |
| CMU  | Customs Marine Unit                  |
| CQR  | Crew Qualifications Record           |
| DMS  | Defence Maritime Services            |
| EEZ  | Exclusive Economic Zone              |
| EMS  | Employment Management System         |
| FSB  | Financial Services Branch            |
| LTSP | Long Term Sailing Program            |
| MCRs | Maintenance Control Records          |
| MOS  | Maritime Operations Support          |
| NMU  | National Marine Unit                 |
| OH&S | Occupational Health and Safety       |
| OSU  | Operational Safety Unit              |
| PDE  | Personal Defence Equipment           |
| PDEO | Personal Defence Equipment Officer   |

|      |                                       |
|------|---------------------------------------|
| PMP  | Project Management Plan               |
| PPP  | Public Private Partnership            |
| RACV | Replacement Australian Customs Vessel |
| ROI  | Return on Investment                  |
| SOPs | Standard Operating Procedures         |
| SSDU | Small Systems Development Unit        |
| UoF  | Use of Force                          |





# Summary and Recommendations



# Summary

---

## Introduction

1. The Australian Customs Service (Customs) helps to maintain border security by providing an armed presence around Australia's coastline and responding to reported or suspected border incidents and illegal activity. The Customs' National Marine Unit (NMU) operates a fleet of eight seagoing Bay-class vessels called the 'Australian Customs Vessels' (ACVs) and, when necessary, chartered vessels to undertake specific taskings.

2. ACVs are deployed in response to a diverse range of taskings initiated by Customs and other Commonwealth agencies. Work carried out by the ACVs includes: intercepting foreign fishing vessels within Australia's jurisdiction; intercepting vessels suspected of carrying illegal immigrants, drugs and other prohibited imports; search and rescue; investigating marine pollution; and assisting with the management of offshore parks and reserves.

3. ANAO Audit Report No.37 2003–04, *National Marine Unit*, examined the administrative effectiveness of the NMU's surveillance and response operations. The audit made nine recommendations concerning: strategic and tactical taskings; dissemination of intelligence; rostering system; analysis and evaluation of staffing data; maintenance of marine crew qualifications; management of training resources and commitments; quality assurance for maintenance contractors; asset management strategy for the acquisition, operation and disposal of marine assets; and financial management. Customs agreed to all the recommendations.

## Follow-up audit objective and scope

4. The objective of the follow-up audit was to assess the extent to which Customs has implemented seven of the above-mentioned recommendations; the two recommendations relating to strategic and tactical taskings and dissemination of intelligence will be considered in the context of the planned performance audit of *Illegal Foreign Fishing in Australia's Northern Waters*.<sup>1</sup>

5. The follow-up audit had regard to changes in the Customs structure that affected the NMU, and the administrative issues affecting the implementation of the previous recommendations.

---

<sup>1</sup> Australian National Audit Office, *Planned Audit Work Program 2008–09*, July 2008, p. 36.

## Conclusion and key findings

6. The ANAO concluded that Customs had made substantial progress in implementing the seven recommendations which were the focus of this audit. Implementation of the recommendations has improved NMU's management of marine crew, specifically in the development of the interim rostering system and management of training resources. Further, it enhanced the quality assurance for maintenance contractors, and encouraged the development of an asset management framework for replacing the ACVs. The previous audit's recommendations relating to the analysis and evaluation of staffing data, maintenance of marine crew qualifications, and financial management have been partially implemented. Table 1 below summarises ANAO's assessment of Customs progress against each recommendation.

7. Implementation of the recommendations had occurred during a time of administrative and operational changes, with Customs implementing an organisational restructure in March 2008. This included the creation of a Customs Marine Unit (CMU), which combined the previous NMU and Maritime Patrol and Response Unit (MPRU).

8. New systems are being put in place that should enable Customs to complete the implementation of the previous audit's recommendations. For example, an agency-wide human resource and rostering system is to be introduced in March 2009 that is expected to assist in improving marine crew management including rostering and monitoring of marine crew qualifications.

9. Also, during the course of the audit, Customs moved to strengthen the financial monitoring and reporting arrangements for the NMU. This approach is expected to support better preparation of budgets and enable trends in expenditure to be monitored and any inefficiencies and savings to be identified.

**Table 1****Progress in implementing specific recommendations of the previous audit**

| Previous audit recommendations  | Implementation progress   |
|---|---|
| <p><b>Recommendation 3</b></p> <p>To enable decisions to lease or purchase an integrated rostering system to be based on sound analysis, clear logic and business principles, the ANAO recommends that the NMU:</p> <p>(a) prepare a business case that considers the costs and benefits associated with leasing or purchasing options; and</p> <p>(b) review the user requirements developed for the rostering system.</p>   | <p><b>Implemented</b></p> <p>A business case for lease or purchase of an NMU rostering system was prepared that outlined the costs and benefits of a lease or purchase options. User requirements were also specified.</p> <p>Further, the CMU will use Customs' new HR and rostering system that will be introduced in March 2009.</p>   |
| <p><b>Recommendation 4</b></p> <p>The ANAO recommends that the NMU regularly analyse and evaluate staffing data and associated crew travel costs to:</p> <p>(a) identify trends, process improvements and potential costs savings; and</p> <p>(b) provide input to the annual domicile policy review, future workforce planning and recruitment strategies.</p>   | <p><b>Partially implemented</b></p> <p>Staffing data and associated crew travel costs were analysed, which assisted in the review of the domiciling policy, workforce planning and recruitment.</p> <p>However, the same data was not analysed regularly to identify trends, process improvements and potential costs savings.</p> <p>To identify trends and potential cost savings, the CMU recently introduced a 'Best fare of the Day' policy that will apply to all official air travel by marine crew officers.</p>  |
| <p><b>Recommendation 5</b></p> <p>To maintain the currency of marine crew qualifications, the ANAO recommends that the NMU adopt a 'shared responsibility' approach by:</p> <p>(a) increasing the functionality of the <i>Crew Qualifications Record (CQR)</i> spreadsheet or using the <i>PeopleSoft</i> system to pro-actively advise when crew qualifications are about to expire;</p> <p>(b) advising crew members in writing when their qualifications are about to expire;</p> <p>(c) monitoring each crewmember's progress and updating crew records when qualifications have been renewed;</p> <p>(d) ensuring up-to-date information relating to crew qualifications and training commitments is available when preparing crew rosters; and</p> <p>(e) certifying that officers on the roster have the appropriate qualifications.</p> | <p><b>Partially implemented</b></p> <p>The CQR had been upgraded, increasing its functionality, and is used in advising crew members in writing when their qualifications are about to expire. There is monitoring of crewmember's progress when qualifications have been renewed.</p> <p>However, information relating to crew qualifications and training commitments is not accurate nor up-to-date. NMU rostering officers undergo a manual, undocumented process, in certifying that marine crew have appropriate qualifications.</p> <p>A new agency-wide HR and rostering system to be introduced in March 2009 is expected to assist in maintaining the currency of marine crew qualifications.</p> |

| Previous audit recommendations  | Implementation progress   |
|---|---|
| <p><b>Recommendation 6</b></p> <p>To better understand, manage and prioritise its training resources and commitments, the ANAO recommends the NMU:</p> <p>(a) routinely collect and analyse training-related data; and</p> <p>(b) regularly evaluate the quality and effectiveness of its training activities.</p>  | <p><b>Implemented</b></p> <p>The NMU routinely collected and analysed training-related data, such as: training activities; training costs; and resources. The quality and effectiveness of NMU training activities were also evaluated.</p> <p>Further, NMU contracted an external service provider to undertake a Maritime Training Needs Analysis, which is expected to provide a more rigorous evaluation of the quality and effectiveness of crew training activities.</p>  |
| <p><b>Recommendation 7</b></p> <p>To strengthen the existing processes for ensuring the quality and completeness of the work undertaken by maintenance contractors during the annual maintenance period, the ANAO recommends the NMU:</p> <p>(a) cross-reference the slipping specification and repair and survey list to the maintenance task sheets and the Maintenance Control Records ( MCRs) signed off by the on-site engineer; and</p> <p>(b) formally document that all work has been satisfactorily completed at the conclusion of the sea trials.</p>   | <p><b>Implemented</b></p> <p>Customs' new maintenance contract with Defence Maritime Services has provided a new maintenance system, that was put in place to ensure the quality and completeness of work undertaken by maintenance contractors.</p> <p>The 'slipping specification' and 'repair and survey list' were cross-referenced by relevant NMU officers to the maintenance task sheets, and the MCRs were signed-off by an on-site engineer.</p> <p>All maintenance work conducted was formally documented and submitted to Customs NMU at the end of the slipping period.</p> |
| <p><b>Recommendation 8</b></p> <p>To provide the NMU with an effective framework to guide decision-making regarding the acquisition, operation and disposal of marine assets, the ANAO recommends that the NMU, in consultation with Customs' Financial Services Branch, develop an asset management strategy that:</p> <p>(a) is integrated with Customs and the NMU's other planning documents;</p> <p>(b) incorporates the full life-cycle costs for each ACV;</p> <p>(c) includes a timeline for the disposal of the ACVs; and</p> <p>(d) outlines a plan for the acquisition of replacement vessels.</p> | <p><b>Implemented</b></p> <p>In 2006, Customs formed the Replacement Australian Customs Vessel project that provided a framework to guide Customs' decision-making in matters relating to the acquisition, operation and disposal of the ACVs.</p> <p>Full life-cycle costs were incorporated for each of the ACVs. A timeline was developed for its disposal, and a plan has been prepared for the acquisition of the replacement vessels.</p>   |

| Previous audit recommendations  | Implementation progress  |
|---|--|
| <p><b>Recommendation 9</b></p> <p>To strengthen the NMU's management of its financial resources, the ANAO recommends that the NMU:</p> <p>(a) develop a sound, useful financial management framework; and</p> <p>(b) routinely analyse financial data, expenditure patterns and cost structures to support decision-making and the preparation of budgets as well as to identify inefficiencies or savings.</p> | <p><b>Partially implemented</b></p> <p>Customs' financial control arrangements provided Customs Executive and Senior Managers, National Director and National Manager responsible for NMU, access to financial reports relating to NMU.</p> <p>However, Customs Managers (Directors) responsible for NMU did not routinely monitor or analyse the costs associated with their particular responsibilities, due to limited knowledge and usage of the financial systems.</p> <p>The National Manager responsible for the CMU has required the current Directors to submit a monthly report of employee and supplier expenses accompanied by analysis of this data. This is expected to support the preparation of internal budgets, monitor trends in expenditure and identify any inefficiencies or savings.</p> |

## Summary of agency response

**10.** Customs welcomes the report on the *Follow-up Performance Audit of Australian Customs Service National Marine Unit* which identifies that Customs has made substantial progress in implementing measures to efficiently and effectively manage the former National Marine Unit, now the Customs Marine Unit.

**11.** Customs agrees with the report's conclusions that provide useful guidance for Customs to further enhance its performance in delivering the Civil Maritime Surveillance and Response Program





# **Audit Findings and Conclusions**



# 1. Background and Context

---

*This chapter provides background to the National Marine Unit, overall findings and conclusions of the 2003 audit, the follow-up audit's objective and scope, and report structure.*

## Overview of the National Marine Unit (NMU)

### What is the NMU?

**1.1** The Customs' National Marine Unit (NMU) helps to maintain border security by providing an armed presence around Australia's coastline and responding to reported or suspected border incidents and illegal activity. The Australian maritime border is the 200 nautical mile (nm) Exclusive Economic Zone around Australia's 37 000 kilometre coastline. The NMU operates a fleet of eight seagoing Bay-class vessels called the 'Australian Customs Vessels' (ACVs) which is supplemented, when necessary, by chartered vessels to undertake specific taskings.<sup>2</sup>

#### *The ACVs*

**1.2** The ACVs are 38 metres in length with a cruising speed of 20 knots for 1000 nm, and can accommodate up to 16 people for extended periods. Each ACV has two 6.4 metre tenders capable of carrying two crew and four passengers each on excursions of up to 30 nm from the mother ship. Tenders are deployed and recovered by a compensated davit system which allows safe and rapid launch/recovery in a range of sea conditions. The ACVs are fitted with deck mounted weapons.

#### *Work carried out by the ACVs*

**1.3** The ACV fleet operates throughout the year with a fleet target of 2400 sea days annually. This capacity is divided among strategic patrols, tactical response work and support for various agencies, and in conjunction with Customs Coastwatch are often deployed in joint operations involving Coastwatch aircraft and naval patrol boats. ACVs investigate possible or confirmed incursions into Australian maritime territory and visit remote areas within Australia's offshore territories.

---

<sup>2</sup> 'Taskings' refer to the tasks undertaken by marine crew for client agencies such as intercepting illegal foreign fishing vessels. Taskings are initiated by client agencies and ratified by the Border Protection Command civil surveillance planning process.

**1.4** Work carried out by the ACVs includes: intercepting foreign fishing vessels within Australia’s jurisdiction; intercepting vessels suspected of carrying illegal immigrants, drugs and other prohibited imports; search and rescue; investigating marine pollution; and assisting with the management of offshore parks and reserves.

#### *Original structure of the NMU*

**1.5** At the time of the previous audit, a Marine Superintendent centrally managed the NMU. NMU had four sections comprising: Marine Operations; Crew Operations; Marine Standards and Marine Engineering.

## **The previous audit**

### **Overall findings and conclusions of the 2003 report**

**1.6** ANAO Report No.37 2003–04, *National Marine Unit* concluded that, overall, the NMU’s surveillance and response operations were administratively effective. However, the ANAO considered that the NMU’s administration could be more effective if its systems and processes were better integrated and automated.

**1.7** The ANAO made nine recommendations aimed at improving the administrative effectiveness of the NMU’s surveillance and response operations. These involved:

- strategic and tactical taskings—examining the viability of accessing the Coastwatch Command Support System to automate tasking and reporting processes;
- dissemination of intelligence—its timeliness and facilitating the exchange of information;
- preparing a business case for a replacement rostering system;
- analysing and evaluating staffing data—to identify trends, process improvements and potential savings;
- maintaining marine crew qualifications;
- management of training resources and commitments;
- quality assurance for maintenance contractors;
- asset management strategy for the acquisition, operation and disposal of replacement vessels; and

- financial management—developing a framework and routinely analysing financial data, expenditure patterns and cost structures.

## Developments since the previous audit

### Customs restructure

1.8 Since the previous audit, Customs implemented an organisational restructure that affected NMU's structure and reporting arrangements.

#### *The new Maritime Operations Support (MOS) Branch*

1.9 The Customs restructure created the Maritime Operations Support (MOS) Branch under the Border Enforcement program. This branch provides the maritime and air assets and support capability to Customs' Enforcement Operations and Border Protection Command. Customs assign operational control of its air and sea assets to its operational areas.

#### *The new Customs Marine Unit (CMU)*

1.10 Within the MOS Branch, the new Customs Marine Unit (CMU) combines the previous NMU and the former Maritime Patrol and Response Unit (MPRU). The CMU provides personnel support to the ACVs and civil vessels chartered by Customs to undertake surveillance response activities within Australia's Exclusive Economic Zone.

1.11 The new CMU has responsibility for:

- the ACVs;
- Northern operations—specifically the ACV *Triton*, a large armed patrol and response vessel which commenced operations with Customs out of Darwin on 2 February 2007;
- Towing and transportation services—as part of the Government's anti-illegal fishing strategy, Customs identified a number of vessels to deliver towing and transportation services in support of Customs and Navy apprehensions;
- Ashmore reef platform—the ACV *Ashmore Guardian* provides a permanent near presence in the Ashmore Reef and Cartier Island Marine Reserves; and
- Southern Ocean Maritime Patrol and Response Program—the *Oceanic Viking*, a specialised vessel that conducts year-round patrols in areas such as Australia's Heard Island and McDonald Islands Exclusive Economic Zone in the southern Indian Ocean.

## The follow-up audit

### Audit objective and scope

**1.12** The objective of the follow-up audit was to assess the extent to which Customs has implemented seven of the nine recommendations made in the previous audit. The two recommendations relating to strategic and tactical taskings and dissemination of intelligence will be considered in the context of the planned performance audit of *Illegal Foreign Fishing in Australia's Northern Waters*.<sup>3</sup> The follow-up audit had regard to the issues underlying the previous recommendations and any changed circumstances of new administrative issues affecting their implementation. In this report, references to the NMU will represent functions of the previous National Marine Unit, which are now part of the MOS Branch.

### Audit methodology

**1.13** The ANAO invited Customs to provide advice summarising its progress in implementing recommendations three to nine, made in Audit Report No.37 2003–04. The audit team examined and reviewed relevant documentation, interviewed relevant Customs officers in Canberra, and visited two ACVs.

**1.14** The audit was conducted in accordance with auditing standards at a cost of approximately \$147 000.

## Audit report

**1.15** The follow-up audit findings are reported in the next three chapters. Recommendations three to nine of the previous audit fall under three general categories: marine crew; asset management; and financial management:

- Chapter 2—Management of Marine Crew: examined whether Customs has implemented the recommendations relating to the rostering system for marine crew, analysis and evaluation of staffing data, maintenance of marine crew qualifications, and the management of training resources and commitments.
- Chapter 3—Asset Management: considered whether Customs has implemented the recommendations relating to ensuring the quality and completeness of work undertaken by maintenance contractors, the

---

<sup>3</sup> Australian National Audit Office, *Planned Audit Work Program 2008–09*, July 2008, p. 36.

provision of an effective framework for the acquisition, and operation and disposal of marine assets.

- Chapter 4—Financial Management: examined whether Customs has implemented the recommendations relating to the development of a sound financial management framework, and the routine analysis of financial data

## 2. Management of Marine Crew

---

*This chapter examines whether Customs has implemented the recommendations relating to the rostering system for marine crew, analysis and evaluation of staffing data, maintenance of marine crew qualifications, and the management of training resources and commitments.*

### Introduction

**2.1** To ensure that adequately qualified seagoing crew were effectively being deployed across the NMU fleet to meet its operational requirements, the 2003–04 audit reviewed Customs’ systems and processes for: rostering of marine crew; analysis and evaluation of staffing data; maintenance of marine crew qualifications; and management of training resources and commitments.

**2.2** NMU’s Marine Crew Operations Section had responsibility for the development of crew rosters and organising crew travel and accommodation. The Marine Standards Section had accountability for ensuring that standards, training and personnel preparedness meet operational requirements.

### Rostering system for marine crew

**2.3** The Uniform Shipping Laws Code requires seagoing officers on ACVs to hold current qualifications and certificates.<sup>4</sup> Rostering crews is, largely, a manual process. Crew rosters are generally prepared weeks in advance.

### Previous findings about the rostering system

**2.4** The previous audit reported that several data sources were used in preparing crew rosters including: the Long Term Sailing Program (LTSP) spreadsheet; crew rostering database; crew rank and qualifications; crew contact list spreadsheet; and rostered days worked spreadsheet.

**2.5** After development, rosters were maintained by an NMU Fleet Support Officer. Changes to a roster required manually changing crew lists on the LTSP and details in the crew rostering database.

**2.6** Preparing and maintaining crew rosters was complex as numerous factors had to be taken into account. Spreadsheets and database containing the information used to develop crew rosters were not integrated, resulting in data

---

<sup>4</sup> The Code is administered by Australian Maritime Safety Authority and specifies the minimum marine qualifications required by crew members for ACVs to operate in and around Australian waters.



duplication and redundancy. This increased the risk that current data was not being used to prepare rosters.

2.7 The NMU recognised the limitations of their rostering systems and processes, and at the time the previous audit was being conducted, NMU was already moving towards developing a new integrated rostering system. NMU considered either purchasing or leasing a system to integrate the rostering system and allow the NMU to implement a comprehensive rule-based approach to rostering and integrate existing data sources.<sup>5</sup>

### **ANAO Report No.37 2003–04 — Recommendation No.3**

To enable decisions to lease or purchase an integrated rostering system to be based on sound analysis, clear logic and business principles, the ANAO recommends that the NMU:

- (1) prepare a business case that considers the costs and benefits associated with leasing or purchasing options; and
- (2) review the user requirements developed for the rostering system.

*Customs response: Agreed. User requirements for a rostering system have now been developed and Customs is currently in the process of developing a business case for lease and purchase options*

### **Findings of the follow-up audit**

2.8 Recommendation 3 has been implemented.

*A business case for lease or purchase of a rostering system was prepared*

2.9 In June 2004, NMU completed a business case that outlined the implementation of an Employment Management System (EMS). NMU expected the EMS to adopt a more integrated approach to rostering seagoing crew than what it had previously. The business case included a cost analysis that set-out the cost benefits of leasing and purchasing an off-the-shelf roster package. A projected Return on Investment (ROI) for both options was outlined.<sup>6</sup> Estimated operational and administrative savings were also specified. Further, user requirements for the EMS were clearly indicated.

2.10 Customs management did not approve the proposal. As EMS was seen as an interim 'fix' and due to funding constraints, Customs management

<sup>5</sup> These data sources include rosters, crew details, training, vaccinations and qualifications.

<sup>6</sup> Estimated operational and administrative savings were also drawn out in the business case.

decided on an alternative approach considered to be more financially viable. This involved an upgrade of the existing rostering system by Customs Small Systems Development Unit (SSDU). The upgraded rostering system was seen as an interim solution until such time that a new Customs-wide rostering and human resources system was rolled-out.

### *A new Customs-wide rostering system interfaced with the agency's Human Resource (HR) system*

**2.11** Customs had been planning for a more integrated human resources and roster solution since 2005. In October 2007, Customs signed a contract with two external providers to deliver a Customs-wide, integrated human resources and roster solution, known as the *SAP/Microster solution*.<sup>7</sup>

**2.12** Customs expected the *SAP/Microster solution* to replace or upgrade Customs existing HR business systems, and implement an organisational rostering and optimisation solution. One of Customs' objectives for the project was the implementation of the *SAP/Microster solution* to the human resource and roster reporting business process. Key benefits included having a single source of HR corporate and rostering data, and the integration of HR and roster data to improve the roster manager's access to relevant employee data.

**2.13** Customs expects to deliver the *SAP/Microster solution* in one stage when the requirements for the SAP/Microster system have been defined. Customs staff will be able to access the new system through a single portal. The system is scheduled to go-live in March 2009.

## **Analysis and evaluation of staffing data and crew travel**

**2.14** Customs determines the home porting or domiciling arrangements for crew according to operational requirements, and where possible will take account of employees' personal circumstances. Where an employee is required to relocate from one locality to another to comply with the domiciling arrangements for the crew, they are entitled to assistance. Crew are advised in writing of their domiciling arrangements.

**2.15** Preferred homeports are reviewed on an annual basis. Current preferred homeports are located in major cities in the proximity of principal operating ports used by the ACVs, and that relate to areas of strategic and operational importance to Customs.<sup>8</sup>

---

<sup>7</sup> Australian Customs Service, *HR Roster Project–Summary*, 23 November 2007.

<sup>8</sup> Current preferred homeports, as at April 2006 include: Thursday Island (for trainees and officers with ATSI background); Darwin; Cairns, Adelaide; Brisbane; Sydney; Canberra; Perth and Melbourne.

**2.16** The previous audit found that NMU did not regularly review the processes and costs associated with staffing arrangements and crew travel. Such review could also provide valuable input to the annual review of the NMU's domiciling policy and future workforce planning and recruitment strategies.

#### **ANAO Report No.37 2003–04 — Recommendation No.4**

The ANAO recommends that the NMU regularly analyse and evaluate staffing data and associated crew travel costs to:

- (1) identify trends, process improvements and potential cost savings; and
- (2) provide input to the annual domicile policy review, future workforce planning and recruitment strategies.

*Customs response: Agreed.*

#### **Findings of the follow-up audit**

**2.17** Recommendation 4 has been partially implemented.

##### *Identifying trends, process improvements and potential cost savings*

**2.18** The ANAO was advised that the Customs Level 3 Crew Operations Supervisor is responsible for the functions stated in Recommendation 4. At the time of audit, the L3 Crew Operations Supervisor position was vacant, and has been for a number of months. The ANAO was advised by the previous Manager of Crew Operations that her previous role included evaluating staffing data and crew travel costs. However, the ANAO found that this task was not conducted regularly.

**2.19** With the new CMU, a 'Best fare of the Day' policy has also been introduced that will be applied to all official air travel by Customs marine crew officers. This initiative is designed to assist in analysing and evaluating staffing data, crew travel costs and potential costs savings.

##### *Domicile policy reviews, future workforce planning and recruitment strategies*

**2.20** When an ongoing employee makes a request to be domiciled in a location other than an approved preferred homeport, additional factors are considered, which include: the place of residence being a reasonable distance from a major airport;<sup>9</sup> that the travel expenses deployed between the place of residence and airport or port when the officer is deployed are reasonable and

<sup>9</sup> NMU regards a reasonable distance as within one hour of a major airport in regular (non-peak hour) traffic.

whether these will be reimbursed by NMU; the place of residence being within a reasonable distance of a Customs office; and the place of residence not hindering the ability to contact the officer for deployment within a reasonable time.

**2.21** NMU has analysed and evaluated staffing data to assist in the review and amendment of its domiciling policy. For example, in November 2005, before Perth was included as a domiciling port for marine crew, the previous Manager of Crew Operations conducted an analysis of the number of marine crew living in Perth and the costs involved<sup>10</sup> in flying Perth-based crew to Thursday Island. As a result, Perth was included as a domiciling port. The domiciling policy was examined and amended in April 2006. The ANAO considers that the amendments made to the domiciling policy contribute positively to NMU's workforce planning and recruitment strategies.

## **Maintenance of marine crew qualifications**

**2.22** As noted in paragraph 2.3, the Uniform Shipping Laws Code specifies the minimum professional qualifications NMU officers must have to be able to work in and operate the ACVs. Crew members must periodically re-certify and renew all certificates and qualifications to ensure their skills and knowledge remain current. The currency of crew qualifications is a significant factor in preparing crew rosters.

**2.23** The previous audit found that the NMU placed the onus for renewing and re-certifying mandatory qualifications, certificates and permits on the individual crewmember. Marine crew provided their completed training or re-certifications to the Marine Standards Section, which sighted the documents and recorded the same on the Crew Qualifications Record (CQR) spreadsheet. The ANAO observed that the CQR had incomplete, outdated data, and was unable to sort on fields, with limited scope for data analysis.

**2.24** Further, Customs maintained two other spreadsheets that recorded crew training (the Crew Training spreadsheet) and rank and qualifications of crew (the Rank and Qualifications spreadsheet). These increased risks of data error, duplication and redundancy. For example, there were instances where changes to the CQR had not been reflected in the Rank and Qualifications spreadsheet, resulting to crew being assigned to patrols without having current or even the right qualifications, or where crew were assigned to patrols when they were scheduled to undertake training courses.

---

<sup>10</sup> Costs were for travel and accommodation.

## ANAO Report No.37 2003–04 — Recommendation No.5

To maintain the currency of marine crew qualifications, the ANAO recommends that the NMU adopt a 'shared responsibility' approach by:

- (1) increasing the functionality of the *Crew Qualifications Record* spreadsheet or using the *PeopleSoft* system to pro-actively advise when crew qualifications are about to expire;
- (2) advising crew members in writing when their qualifications are about to expire;
- (3) monitoring each crewmember's progress and updating crew records when qualifications have been renewed;
- (4) ensuring up-to-date information relating to crew qualifications and training commitments is available when preparing crew rosters; and
- (5) certifying that officers on the roster have the appropriate qualifications.

*Customs response: Agreed. NMU is currently finalising a review of crew qualifications as part of implementing this recommendation.*

### Findings of the follow-up audit

2.25 Recommendation 5 has been partially implemented.

*The interim Small Systems Development Unit (SSDU) rostering system and the Crew Qualifications Record (CQR)*

2.26 Currently, the NMU uses the CQR and the interim SSDU rostering system to manage crew qualifications. The CQR was updated and upgraded (generally increasing its functionality) in January 2008. By using the CQR and the SSDU rostering system, NMU is able to advise the marine crew in writing when their qualifications are about to expire. NMU Crew Operations monitors the crew member's progress, and when marine crew qualifications have been renewed, crew records on both the CQR and the SSDU rostering system are updated.

2.27 Before going on patrol, marine crew present their appropriate qualifications and certificates to the Commanding Officer of their vessel. This is recorded and a copy is sent to NMU Crew Operations in Central Office. Marine crew are not able to operate the ACVs in Australian waters without up-to-date qualifications. The *Navigation Act 1912* requires seagoing officers to produce, on demand, their certificates to the proper authorities.

**2.28** The follow-up audit conducted tests on mandatory qualifications and training of marine crew on two ACVs. Mandatory qualifications include: their First Aid Certificate; Australian Maritime Safety Authority (AMSA) medical; Use of Force (UoF) permit; and occupational health and safety (OH&S) at sea. The objective was to check if these were up-to-date, and compare the information from the vessel to the CQR and SSDU rostering system in the Central Office.

**2.29** The First Aid Certificate and OH&S expiry dates of all marine crew on the ACV tested were correctly recorded on the CQR spreadsheet. However, there were some minor discrepancies in the CQR spreadsheet:

- AMSA Medical—33 per cent of the marine crew on the ACV tested did not have their AMSA Medical expiry dates in the CQR;
- UoF permit—the expiry dates were not recorded in the CQR spreadsheet; and
- data discrepancies—for example, the Aboriginal Land Pass issue date for some marine crew appeared to be the expiry dates.

#### *Risks in migrating CQR data into the SAP/Microster solution*

**2.30** As discussed in paragraphs 2.11 to 2.13, Customs proposes to introduce a new HR Roster system in March 2009. Customs' HR Systems<sup>11</sup> advised the ANAO that the NMU-related data that will be migrated to the new *SAP/Microster solution* will come from NMU's CQR spreadsheet. The HR Systems team advised NMU's Crew Operations that it was important for the CQR to be accurate and updated by the end of this financial year (2007–08), as tests are scheduled to be conducted with the *SAP/Microster solution* using migrated CQR data.

**2.31** In May 2008, as requested by HR Systems, NMU Crew Operations submitted their CQR spreadsheets containing the qualifications and training information of marine crew. HR Systems found that the training and qualifications data of NMU marine crew from the CQR spreadsheets to be 'incomplete and out of date'.

**2.32** In order to have a successful migration of marine crew qualification and training data to the *SAP/Microster solution*, the CQR spreadsheet will need to be made accurate, up-to-date and complete. Migration of incorrect and/or incomplete data will have a negative impact, including:

---

<sup>11</sup> Customs' HR Systems area is responsible for the maintenance and development of Customs' HR applications, including the *SAP/Microster solution*.

- decreased ability for Microster to automatically and correctly assign personnel (such as NMU marine crew) to tasks;
- increased requirements for roster owners and transactors to manually manage the daily task allocation activities; and
- ongoing requirement for paper-based reference material regarding skills and qualifications.

*Ensuring up-to-date information and certifying that marine crew have appropriate qualifications when preparing crew rosters*

**2.33** NMU Crew Operations' rostering officers undertake a manual process of certifying that marine crew have appropriate qualifications when preparing rosters. To ensure that information on qualifications and training is up-to-date, the rostering officer:

- (1) checks the SSDU interim rostering system;
- (2) refers to the CQR spreadsheet;
- (3) checks the paper files of crew;
- (4) phones the marine crew officer concerned and obtains verbal confirmation that qualifications are up-to-date; and
- (5) relies on prior knowledge of marine crew's qualifications.

The current manual process is not documented.

**2.34** NMU advised that upon implementation of the *SAP/Microster solution*, the new Customs' HR roster system will provide a means of maintaining an accurate record of all marine crew qualifications. The ANAO considers that given the complexity of managing crew qualifications and maintaining the rostering system, it would be good practice to document the process, prepare user guidelines, and keep a record of modifications to the system.

## **Management of training resources and commitments**

**2.35** The NMU's operational effectiveness is directly linked to the effectiveness of its training capability. Without adequate training, seagoing officers will not have the knowledge, skills or ability to perform their duties.

**2.36** In the previous audit, the ANAO sought to analyse training related data such as: training activities;<sup>12</sup> training costs;<sup>13</sup> and resources. Although NMU retained some of this data, it was not readily available. There was no regular documentation nor assessment of training activities. Similarly, costs in relation to training could not be fully determined.

**2.37** The NMU did not analyse its training related data, and there was no assessment or measurement of the efficacy of its training activities.

### **ANAO Report No.37 2003–04 — Recommendation No.6**

To better understand, manage and prioritise its training resources and commitments, the ANAO recommends the NMU:

- (1) routinely collect and analyse training-related data; and
- (2) regularly evaluate the quality and effectiveness of its training activities.

*Customs response: Agreed.*

### **Findings of the follow-up audit**

**2.38** Recommendation 6 has been implemented.

#### *Collection and analysis of training-related data*

Training activities ('sea riding')

**2.39** To ensure that marine crew comply with the standards and policy set by AMSA and Central Office, a Marine Standards Supervisor embarks on an ACV patrol and conducts routine exercises and observes crew performance. At the end of this 'sea riding' period, the Supervisor prepares a report for the Manager of Marine Standards and NMU management.

**2.40** NMU's training-related data, such as crew training activities, is collected and reviewed on a regular basis. NMU's sea riding reports have identified training needs and requirements and proposed actions for specific marine crew.

Crew training costs and resources

**2.41** With the introduction of the new suite of reports to Customs' financial management system in 2006 (discussed in Chapter 4), the NMU is now able to

---

<sup>12</sup> Training activities included Use of Force training, work-ups, induction courses and sea riding activities.

<sup>13</sup> Training costs include cost of the training course, travel, accommodation and travelling allowance. It should be tied to the individual crewmember undertaking the training.



collect and analyse training costs and resources to better manage and prioritise its training resources and commitments.

### *Quality and effectiveness of training activities*

**2.42** From review of NMU Minutes, sea riding reports, Standard Operating Procedures (SOPs), and updates on these documents, it was apparent that the NMU conducted an evaluation of training activities and its linkage to identified gaps in training needs and requirements.

**2.43** During this audit, NMU contracted an external service provider to provide a Maritime Training Needs Analysis. Customs expects the training needs analysis will: compare the current training being delivered to Customs marine crew against a baseline that captures the needs of Customs; propose the functionality and structure required within the new MOS Division Maritime Training and Standards Section to coordinate the delivery of training and maritime 'standards'; and reflect and support the requirement for Customs to prepare and meet the needs of future marine crew to prepare for and meet the needs of future marine crew training needs beyond year 2010.

**2.44** The ANAO considers that the Maritime Training Needs Analysis will provide the NMU with information to support regular and more rigorous evaluation of its crew training activities.

## 3. Asset Management

---

*This chapter considers whether Customs has implemented the recommendations relating to ensuring the quality and completeness of work undertaken by maintenance contractors, the provision of an effective framework for the acquisition, and operation and disposal of marine assets.*

### Introduction

**3.1** Asset management is the process of guiding the acquisition, use and disposal of assets to make the most of their service delivery potential and manage the related risks and costs over their entire life.<sup>14</sup> Effective asset management is achieved within a framework of appropriate control and monitoring.

**3.2** The 2003–04 audit reviewed whether the NMU had established an asset management framework, covering: asset maintenance; asset management; asset monitoring and control; and consideration of future acquisitions. NMU's Marine Engineering Section had primary responsibility for ensuring that the ACVs have an effective maintenance program.

### Asset maintenance

**3.3** The usefulness of an asset depends on how effectively it meets its purpose. This may depend on the regularity and appropriateness of its maintenance. Regular maintenance helps preserve an asset's value.<sup>15</sup>

**3.4** The previous audit found that the NMU had processes and systems in place to manage scheduled and unscheduled maintenance of the ACVs. However, the processes and systems could be improved by:

- strengthening the NMU's quality assurance processes;
- greater integration of systems and migrating maintenance data from spreadsheets to a relational database;
- improving the control and supervision of contractors by developing better performance monitoring criteria in the maintenance contract; and

---

<sup>14</sup> State of Victoria Department of Treasury and Finance, *Asset Management Series* [Internet], available from <<http://home.vicnet.net.au/~assetman/ams/intro.htm>> accessed 20 August 2008.

<sup>15</sup> *ibid.*

- recording and documenting configuration changes with a greater level of detail.

3.5 The 'slipping specification' and 'repair and survey list' could not be easily cross-referenced with the Maintenance Control Records (MCRs) and maintenance task sheets.<sup>16</sup> In addition, there was no formal acceptance of the ACV after the engineer had completed sea trials.

### **ANAO Report No.37 2003–04 — Recommendation No.7**

To strengthen the existing processes for ensuring the quality and completeness of the work undertaken by maintenance contractors during the annual maintenance period, the ANAO recommends the NMU:

- (1) cross-reference the slipping specification and repair and survey list to the maintenance task sheets and the Maintenance Control Records signed off by the on-site engineer; and
- (2) formally document that all work has been satisfactorily completed at the conclusion of the sea trials.

*Customs response: Agreed.*

### **Findings of the follow-up audit**

3.6 Recommendation 7 has been implemented.

3.7 Customs' NMU has had a new maintenance contract with Defence Maritime Services (DMS) since May 2005. In the same year, the Asset Management and Planning System (AMPS) was put in place to support the logistic activities of the eight ACVs.<sup>17</sup> AMPS was deployed to all the ACVs in 2006.

3.8 Each vessel's database remains synchronised to the shore through the use of a series of intelligent interfaces provided with the AMPS software suite.<sup>18</sup> DMS and Customs' NMU have full remote access to AMPS from designated secure sites around Australia with access to logistics data to support the needs of the vessels.

<sup>16</sup> 'Slipping' refers to a maintenance event, either planned or unplanned where the vessel is physically removed from the water. Originally, this was only done on a slipway (an inclined plane or ramp), however, the terminology has persisted regardless of the removal method.

<sup>17</sup> AMPS data are delivered to both Customs and DMS to migrate all Customs legacy data into a consolidated shore logistics database.

<sup>18</sup> The AMPS has three programs that can be launched from AMPS OpCentre: the Facility Maintenance Management System; the Document Management Systems; and the Reporting.

**3.9** In conjunction with the implementation of the new DMS contract and the introduction of AMPS, a number of procedures were put in place to help strengthen the existing maintenance processes. Inspections were conducted and documented to confirm the quality and timeliness of the work performed by the maintenance contractors.

## **Asset management and consideration of future acquisitions**

**3.10** In 2001, Customs was moving towards implementing its Asset Management Framework across the agency. At that time, it acknowledged that appropriate systems were not fully developed nor were the staff fully aware of what was required to support the Framework.<sup>19</sup>

**3.11** The Framework outlined Customs' key principles on assets. It also stated that Customs business groups should:

- develop an asset management strategy that is linked with Customs' other strategies; and
- produce a formal asset acquisition and replacement plan.

The Framework also specifically stated that the NMU develop a schedule of life-cycle costs for each of its ACVs.

**3.12** The previous audit found that the NMU had not produced an asset plan or strategy that would assist in making informed decisions regarding the operation and replacement of the ACVs. Further, estimated life-cycle costs were not calculated, which posed a risk that the operating budget may not be sufficient to maintain and operate the NMU fleet over the life of the ACVs.

---

<sup>19</sup> ANAO Audit Report No.37 2003–04 *National Marine Unit*, p. 86.

## ANAO Report No.37 2003–04 — Recommendation No.8

To provide the NMU with an effective framework to guide decision-making regarding the acquisition, operation and disposal of marine assets, the ANAO recommends that the NMU, in consultation with Customs' Financial Services Branch, develop an asset management strategy that:

- (1) is integrated with Customs and the NMU's other planning documents;
- (2) incorporates the full life-cycle costs for each ACV;
- (3) includes a timeline for the disposal of the ACVs; and
- (4) outlines a plan for the acquisition of replacement vessels.

*Customs response: Agreed.*

### Findings of the follow-up audit

**3.13** Recommendation 8 has been implemented.

#### *The Replacement Australian Customs Vessel (RACV) Project*

**3.14** Customs' existing fleet of eight Bay Class ACVs were introduced into service between 17 February 1999 and 1 September 2000.<sup>20</sup> The vessels were assessed to have a 10-year useful life for Customs-related operations. In July 2005, Customs conducted a scoping study on the replacement of the ACVs. In September 2006, the agency initiated the Replacement Australian Customs Vessel (RACV) Project.

**3.15** Customs' RACV Project Management Plan (PMP) of February 2008 describes in detail how the project will be managed through the acquisition process. It provides an overview of the work to be undertaken and identifies key decision and review points.<sup>21</sup> In addition, Customs' NMU has developed a proposed timeline for the disposal of the current ACVs. Customs advised that the timeline may be affected by the outcomes from the *Homeland and Border Security Review*<sup>22</sup> and the final acquisition strategy of the replacement vessels.

<sup>20</sup> Australian Customs Service, *Capability Discussion Paper—Towards a Future Surface Maritime Capability for the Australian Customs Service*, 6 June 2005, p. 46.

<sup>21</sup> Australian Customs Service, *Replacement Australian Customs Vessels (RACV) Project—Project Management Plan*, February 2008. The RACV PMP is integrated with Customs' and other NMU high-level planning documentation. The RACV Project's Acquisition Strategy takes guidance from Customs' Procurement Framework.

<sup>22</sup> The *Homeland and Border Security Review* is part of the Government's commitment to examine the need for change in Australia's homeland and border security arrangements. Mr Ric Smith AO PSM is conducting the Review.

### *Life-cycle costs for the ACVs*

**3.16** The RACV Project Office contracted an external provider to provide an assessment of the fair market value of the current ACVs. The assessment was made based on the projected sale of the vessels on normal commercial terms, as at January 2008, and the future projected sale of the vessels in January 2010, January 2011 and January 2013. The report was compiled on the basis of a review of the vessel specifications and the contractor's inspection of specific ACVs in early January 2008.

**3.17** The RACV Project Office also contracted an external provider to provide assistance in providing full life-cycle costs for the replacement ACVs. At the time of audit, the full life-cycle costs for the new vessels were still being developed. An 'options definition study', including providing industry the desired capabilities for the vessels, was conducted to cost the new vessels.

**3.18** The method of procurement for the ACVs, whether through Public Private Partnership (PPP)<sup>23</sup> or conventional acquisition, has not been decided. In determining the costs for the new vessels, assumptions were aligned with the principles of PPP.<sup>24</sup> At the time of audit, Customs was engaged in developing a PPP submission in concert with the development of a Request for Tender package.

**3.19** Customs advised that maintenance and 'Through Life Support' arrangements for the planned 15-year serviceable life of the replacement vessels will be a significant component of the overall replacement cost.<sup>25</sup>

## **Asset monitoring and control**

**3.20** The previous audit found that NMU had adequate controls in place to track the location of 'attractive and portable' assets, and procedures were in place that allows NMU to effectively safeguard these items.

**3.21** The follow-up audit conducted an 'asset procedure test' to ensure the existence of selected NMU assets and assess the completeness of Customs'

---

<sup>23</sup> Under PPP arrangements, the private sector is allocated the responsibility of funding asset acquisition and services for, or on behalf of, an agency. Ownership of assets acquired under PPP arrangements remains with the private sector and supplied to the government agency under operating or finance leasing arrangements.

<sup>24</sup> Variables that were considered included: acquisition costs (based on finance/leasing costs); direct operational costs (taken from Customs' financial management systems); and indirect costs (costs of the NMU or the new Customs Marine Unit).

<sup>25</sup> 15 years represents the minimum required life type of the RACVs. The feasibility of life extensions will be driven by economic viability and the RACV platforms capacity to meet potentially changing capability requirements.

asset register.<sup>26</sup> Part of the test program involved confirming the assets recorded on the asset register to the actual physical assets. The assets tested included the deck mounted weapons of two ACVs, the components of which were the machine guns, barrels and mounts.

**3.22** Responsibility for Customs' firearms and Personal Defence Equipment (PDE) is shared between Customs Operational Safety Unit (OSU) and operational units, such as the NMU. The OSU maintains a central register of Customs' firearms and PDEs based on information provided by the operational units. For example, every month the NMU conducts a stocktake of all its firearms and PDEs and submits a report to OSU.

**3.23** The ANAO's testing encompassed both the central OSU asset register and the NMU stocktake report. The testing showed that while the NMU stocktake was complete and forwarded to the OSU monthly, the OSU asset register entries in relation to the NMU machine guns were incomplete. For example, while the OSU asset register appropriately identified the 'description' field and serial numbers for the NMU machine guns, only 15 per cent had their specific locations identified and seven per cent had their dates of receipt recorded.

**3.24** The ANAO considers that, as Customs uses more than one asset register for its firearms and PDEs, there should be a common asset recording standard employed to assist in consolidating data from the NMU register to the OSU register. Further, to ensure accountability of all firearms and PDEs, there should be a clear alignment of assets between the two registers.

---

<sup>26</sup> The test was conducted to assist ANAO's Assurance Auditors in their financial statement audit of Customs.

## 4. Financial Management

---

*This chapter examines whether Customs has implemented the recommendations relating to the development of a sound financial management framework, and the routine analysis of financial data.*

### Introduction

**4.1** The financial management framework within an organisation is integral to the structures, processes, controls and behaviours that constitute effective corporate governance. Financial information is essential for the management and control of resources (inputs); the efficient application of those resources to processes (activities); and the direction of those processes to the production of defined outputs.<sup>27</sup>

**4.2** The NMU's Finance Cell, Customs' Financial Services Branch (FSB), and Customs' Business Support Group (BSG) are the areas involved in the financial management and control of the NMU resources. In the previous audit, the ANAO found that the BSG prepared the NMU annual budget with limited input from the NMU. The ANAO considered that the NMU should have had greater involvement in preparing its own budget, and to provide meaningful input into the budgetary process, the NMU would need to have a greater understanding of its cost structure and expenditure patterns.

**4.3** The previous audit also found that there was a lack of financial awareness, monitoring of expenditure and analysis of financial data, which reduced the NMU's ability to effectively manage and control its financial resources.<sup>28</sup> The ANAO considered that each Section Manager<sup>29</sup> responsible for NMU should be accountable for monitoring and analysing the costs associated with their particular area. This would strengthen the NMU's financial management; increase its ability to control costs; identify inefficiencies or savings; and provide managers with financial data to support decision-making.

---

<sup>27</sup> ANAO, *Better Practice Guide: Building a Better Financial Framework*, Nov. 1999, pp. 11–12.

<sup>28</sup> For example, the NMU did not prepare reports that analysed trends over time or variances between estimated costs and actuals, nor include a breakdown of major costs. The NMU was unable to advise the specific costs associated with training or operating individual ACVs without significant assistance from BSG and FSB.

<sup>29</sup> This refers to the Section Director, which in Customs is equivalent to an Executive Level 2.



## ANAO Report No.37 2003–04 — Recommendation No.9

To strengthen the NMU's management of its financial resources, the ANAO recommends that the NMU:

- (1) develop a sound, useful financial management framework; and
- (2) routinely analyse financial data, expenditure patterns and cost structures to support decision-making and the preparation of budgets as well as to identify inefficiencies or savings.

*Customs response: Agreed.*

### Findings of the follow-up audit

4.4 Recommendation 9 has been partially implemented.

### Financial control arrangements

4.5 The financial control arrangements in NMU have not changed since the previous audit, that is:

- the NMU's Finance Cell is primarily responsible for reconciling credit card, mobile phone and bank account statements, and balancing accounts to the General Ledger;<sup>30</sup>
- Customs' FSB is not involved in NMU's day-to-day operations, but provides financial reports to the Customs' Executive, financial advice, asset management control and audit clearance of financial statements;<sup>31</sup> and
- the BSG provides financial oversight for Customs' National Office, including the NMU. It provides the National Directors and National Managers responsible for NMU, and their staff, with the financial support and guidance required to manage their business, and responds to their needs such as providing the necessary infrastructure to accurately measure program costs, and undertake audits of expenditure.

4.6 In 2006, Customs introduced a new suite of reports to its financial management system. These new reports replaced reports that had been introduced at the time of ANAO's previous audit in 2003–04.

<sup>30</sup> The NMU has developed their own *Finance, Administration and Travel Allowance Package*, based on a spreadsheet and is available on all ACVs.

<sup>31</sup> ANAO Audit Report No.37 2003–04, *National Marine Unit*, pp. 98–99.

**4.7** The Customs Executive and Senior Managers, National Director and National Manager responsible for NMU had access to, and were provided with, financial reports covering: management reports; management summary reports; and management transaction listings from the new suite of reports. However, the ANAO found that prior to the restructure of the NMU in 2008, relevant Customs Directors responsible for NMU did not routinely monitor or analyse the costs associated with their particular area, as recommended in the previous audit. This was due to limited knowledge and usage of the new financial systems that produced the reports. As there was limited understanding of its cost structure and expenditure patterns, NMU Directors had little involvement or input into the budgetary process.

**4.8** In addition, monitoring and analysis of cost structures and expenditure patterns by the Directors responsible for NMU was limited. For example, in February 2008, BSG alerted NMU that it had exceeded its year-to-date budget for Supplier Expenses by over \$2 million. NMU advised BSG that this was the result of fuel price increases, which cannot be controlled nor be predicted by NMU. Aside from fuel costs, BSG advised that other Supplier Expenses also increased, such as travel and training.

**4.9** The ANAO's analysis showed that although fuel expenses had indeed risen, they have been only averaging 16 per cent of NMU's budget for Supplier Expenses. However, maintenance expenses had been averaging about 47 per cent of the NMU's budget for Supplier Expenses.<sup>32</sup> Rising maintenance expenses was the main contributor to the NMU overspends. Given the ageing nature of the ACV fleet, rising maintenance costs should have been anticipated in the Supplier Expenses budget.<sup>33</sup>

**4.10** Going forward, it is important for relevant CMU Directors to be aware of key cost components and trends in expenditure. The size and growth of the ACV maintenance expenses warrants particular attention.

**4.11** Following the restructure of the NMU and under the new Maritime Operations Support (MOS) Branch, the National Manager responsible for CMU has implemented an initiative to strengthen the existing financial management arrangements. Directors under MOS will be required to submit monthly reports of employee and supplier expenses accompanied by analysis of this

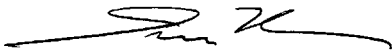
---

<sup>32</sup> ANAO analysis covered the period of June 2007 to May 2008.

<sup>33</sup> The ANAO was advised by Customs that the overspend in ACV maintenance costs was due to the annual survey costs and delays experienced by Customs' prime contractor in receiving invoices from their sub-contractors. Further, Customs anticipates increases in ACV's maintenance payments for 2008–09. These are likely to take place in the months of July, August, October, March and May.

data. Report templates have been prepared that included a budget worksheet and a monthly finance report of each section under MOS. The new reports being finalised are expected to support CMU to prepare internal budgets, monitor trends in expenditure and assist in identifying inefficiencies or savings.

---



Ian McPhee  
Auditor-General

Canberra ACT  
11 November 2008

# Index

---

## A

Asset Management and Planning System, 6, 35  
Australian Customs Service, 11, 15, 26, 37, 45  
Australian Customs Vessels, 6, 11, 19

## C

Civil Maritime Surveillance and Response Program, 15  
Crew Qualifications Record, 6, 13, 28, 29  
Customs Marine Unit, 6, 12, 15, 21, 38

## F

Financial Management, 23, 36, 40  
41–43, 47

## H

Human Resource (HR) system, 26, 30, 31

## M

Maritime Operations Support, 6, 21, 42  
Maritime Patrol and Response Unit, 12, 21

## N

National Marine Unit, 6, 11, 12–15, 19–22, 24–25, 27–42

## O

Operational Safety Unit, 6, 39

## P

Personal Defence Equipment, 6, 39  
Public Private Partnership, 7, 38

## R

Replacement Australian Customs Vessel Project, 7, 37, 38

## Series Titles

---

ANAO Audit Report No.1 2008–09  
*Employment and Management of Locally Engaged Staff*  
Department of Foreign Affairs and Trade

ANAO Audit Report No.2 2008–09  
*Tourism Australia*

ANAO Audit Report No.3 2008–09  
*Establishment and Management of the Communications Fund*  
Department Department of Broadband, Communications and the Digital Economy  
Department of Finance and Deregulation

ANAO Audit Report No.4 2008–09  
*The Business Partnership Agreement between the Department of Education,  
Employment and Workplace Relations (DEEWR) and Centrelink*  
Department Department of Broadband, Communications and the Digital Economy  
Department of Finance and Deregulation

ANAO Audit Report No.5 2008–09  
*The Senate Order for Departmental and Agency Contracts (Calendar Year 2007  
Compliance)*

ANAO Audit Report No.6 2008–09  
*Illegal, Unreported and Unregulated Fishing in the Southern Ocean*  
Australian Customs Service

ANAO Audit Report No.7 2008–09  
*Centrelink's Tip-off System*  
Centerlink

# Current Better Practice Guides

---

*The following Better Practice Guides are available on the Australian National Audit Office Website.*

|   |           |
|---|-----------|
| Developing and Managing Internal Budgets  | June 2008 |
| Agency Management of Parliamentary Workflow   | May 2008  |
| Public Sector Internal Audit  |           |
| An Investment in Assurance and Business Improvement   | Sep 2007  |
| Fairness and Transparency in Purchasing Decisions   |           |
| Probity in Australian Government Procurement  | Aug 2007  |
| Administering Regulation  | Mar 2007  |
| Developing and Managing Contracts   |           |
| Getting the Right Outcome, Paying the Right Price   | Feb 2007  |
| Implementation of Programme and Policy Initiatives:   |           |
| Making implementation matter  | Oct 2006  |
| Legal Services Arrangements in Australian Government Agencies                                     | Aug 2006  |
| Preparation of Financial Statements by Public Sector Entities                                     | Apr 2006  |
| Administration of Fringe Benefits Tax   | Feb 2006  |
| User-Friendly Forms   |           |
| Key Principles and Practices to Effectively Design<br>and Communicate Australian Government Forms | Jan 2006  |
| Public Sector Audit Committees  | Feb 2005  |
| Fraud Control in Australian Government Agencies   | Aug 2004  |
| Security and Control Update for SAP R/3   | June 2004 |
| Better Practice in Annual Performance Reporting   | Apr 2004  |
| Management of Scientific Research and Development<br>Projects in Commonwealth Agencies            | Dec 2003  |
| Public Sector Governance  | July 2003 |
| Goods and Services Tax (GST) Administration   | May 2003  |
| Building Capability—A framework for managing<br>learning and development in the APS               | Apr 2003  |
| Administration of Grants  | May 2002  |
| Performance Information in Portfolio Budget Statements  | May 2002  |

|   |           |
|---|-----------|
| Some Better Practice Principles for Developing Policy Advice      | Nov 2001  |
| Rehabilitation: Managing Return to Work                           | June 2001 |
| Business Continuity Management                                    | Jan 2000  |
| Building a Better Financial Management Framework                  | Nov 1999  |
| Building Better Financial Management Support                      | Nov 1999  |
| Commonwealth Agency Energy Management                             | June 1999 |
| Security and Control for SAP R/3                                  | Oct 1998  |
| Controlling Performance and Outcomes                              | Dec 1997  |
| Protective Security Principles<br>(in Audit Report No.21 1997–98) | Dec 1997  |

